# NEWS IN BRIEF

## Engle named vp of Bergen Brunswig

ORANGE, Calif. — Phillip Engle, president of Bergen Brunswig's drug company, has been named a vice president of the Bergen Brunswig Corp.

In announcing the appointment, Emil P. Martini, Bergen Brunswig chairman and ceo, said Engle will continue to serve in his drug company post, overseeing its 43 divisions.

Phillip Engle

## ACDS to host program at show

CHICAGO — The Associated Chain Drug Stores will host a special product program at this year's Housewares' Show, to celebrate its 61st year in business.

ACDS will show member chains 100 to 150 items it has picked for their top quality, low-cost and traffic-generating potential. The "Super Specials" program will be Monday evening, April 16, at the Conrad Hilton & Towers in Chicago.

"Associated purposely limits the number of items it presents that evening in order to make sure that every item meets our strict criteria," said Ira Shain, president of the 6,000-member association.

## Goold takes over Maine Surgical

PORTLAND, Me. — J. E. Goold & Co., the wholesaler, said it has purchased the capital stock of Maine Surgical Co. from the Dead River Co. Maine Surgical markets products to hospitals, nursing homes, veterinarians and physicians in the Northeast.

Goold, a pharmaceuticals and health care products distributor, will operate Maine Surgical and its affiliate company, Atlantic Health Care, as a separate division. Thomas Forst, of MS, will serve as division president, with Dana Dow as vp-sales. The division will be directed by Goold's coo, Peter Bingham, Goold president William Waldron announced.

## Perry buys 2 Detroit stores

PONTIAC, Mich. — Perry Drug Stores has bought two drug stores in the Detroit metro area: Carpenter Drugs in Royal Oak and Rite Value Drugs, in Dearborn Heights.

The buys give Perry 212 Midwest drug stores.

## Revco sells Private Formulations

ENGLEWOOD CLIFFS, N.J. — Revco said it expects to close in mid-February on the sale of its Private Formulations drug manufacturing subsidiary to Pharmacontrol Corp., based here, after completing negotiations.

Pharmacontrol has managed PF since September and has upgraded the equipment and product line. The company plans to use PF's facilities to launch a patented oral-soluable aspirin in powder and tablet forms this spring.

Cover photo was taken at Austin Drugs, Plainview, N.Y.

# INDEX


| | |
|---|---|
| Back to school products | 40 |
| Beauty Beat | 60 |
| C.E.Lesson | IP19 |
| Cosmetics: Category in motion | 29 |
| Editorial | 8 |
| Financial | 98 |
| Gladson: Store Manager Training Program | 48 |
| Inside Pharmacy | IP1 |
| People in the News | 11 |
| Photo page | 12 |
| Product Update | 64 |
| Rx/OTC product update | IP27 |
| Trends | 15 |


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Vol. 9, No. 4 February 16, 1987

# D.C. Safeways introduce one-day lens replacement

OAKLAND, Calif. — Safeway is selling soft contact lens replacements in 36 Washington, D.C. division stores, after a successful three-month test in its Denver division, Safeway officials said.

Since the supermarket chain launched the Denver program in 53 Safeway stores with pharmacies on Oct. 1, it has been rolled out into 60 Safeway pharmacies in the 135-store division, in which 62 units have pharmacies, said Treat Barnes, Denver division pharmacy coordinator.

The stores encountered a surge of business after the program was kicked off by announcing it to the local media, which ran news stories, Barnes said. In a typical transaction, a pharmacist fills an order within 24 hours after a customer submits a replacement prescription.

Safeway pharmacists replaced 150 to 160 lenses in the first week for all stores. Against expectations, business picked up from there, with pharmacists now replacing an average of 170-180 lenses a week, Barnes said.

### Shopper profile

"The contact lens customer is the ideal customer to be shopping in our stores," said Barnes. The shopper is typically female, 35 years old and an upper-income professional. Once she is grocery shopping, the chain wants to convert her to a prescription customer," Barnes noted.

Barnes said the Denver stores have no retail competitors. Tne lens replacement business was solely in the hands of eye doctors until Safeway entered the market.

Drug chains are finding this young $2 billion market attractive because it calls for no inventory requirement, no shelf space, and typically generates 20%-25% margins.

Revco, for example, now offers lens replacements in about 300 stores, Perry Drug handles the business in its Michigan and Illinois units, and Gray Drug Fair sells them from about 100 stores.

Also, Phar-Mor, the deep discounter, the Pittsburgh-based Giant Eagle, and Sav-On stores sell lenses. Meijers Thrifty Acre this month will roll out the service chainwide after a test in about six units, according to a source.

### Average sale $30-$35

Safeway stores in Maryland, Virginia, Washington, D.C., Delaware and West Virginia in the Washington, D.C., division are now selling the lenses at 40%-60% off optician's prices. Product is supplied by AMCLED, a Denver-based lens wholesaler.

Barnes said his average sale is $30 to $35. Safeway offers 24-hour service on lines by major vendors including Bausch and Lomb, Ciba, American Optical and Barnes-Hind.

The lenses are regularly advertised in newspaper circulars, where they're cross merchandised with lens care salines and cleaners, he said.

# *Pay 'n Save changes exec team*

## Merchandising plans expected to turn around losses

SEATTLE — Pay 'n Save, struggling to return to the black after an almost $50 million loss in 1986, announced a series of management changes aimed at "providing quicker response time to customer demand," according to the company.

Gerald Nathanson, vice chairman and ceo, said most of the appointments fill newly established positions at the 107-store chain.

They include Ron Fleisher and Elmer DiFilippo, both senior vice presidents reporting directly to Nathanson. Fleisher, a Philadelphia native, will serve as general merchandise manager of hard lines. DiFilippo, formerly vp of advertising and sales promotion for McCrory's, will head Pay 'n Save's marketing effort.

### Exec team goals

The company said that the new executives, plus others that were named early this month as part of Nathanson's new team, will "help fine tune the company's import and export system, which will now focus on higher quality goods."

The switch to higher quality import goods is a response to the problems Pay 'n Save encountered last fall in carrying out a new promotional strategy based on the contacts and expertise of chairman William Zimmerman.

Low-end imported and closeout "Zimmerman merchandise" was introduced into the stores, but failed to live up to sales expectations, sources said, because Pay 'n Save's upscale customers were slow to accept the changes. In addition, Pay 'n Save encountered problems with its upgraded 350,000-sq.-ft. Auburn, Wash., distribution center.

In a 13-week third quarter, the company had a new loss of $25.7 million on sales of $170.8 million. For the year, the loss was $49.4 million on sales of $555.1 million.

Nathanson said the fourth quarter loss included more than $11 million in nonrecurring charges. The company said these charges "included inventory writedowns for merchandise not meeting the company's desired standards and costs associated with the restructuring of the company under new leadership."

The company said that despite the loss, it expected that its new merchandising strategy, together with the restructuring efforts, would "strengthen Pay 'n Save and improve its future performance significantly."

### Management roster

Other newly appointed executives include:

- Nancy Cacace, a Pay 'n Save employee since 1974, who will serve as vp and executive assistant to Nathanson.
- Ruth Bell, a 10-year retailing veteran, who will work out of the New York office as vp of apparel merchandising.
- Jim Pappas, formerly of McCrory's, who will join Pay 'n Save as director of controlled checkstand merchandising.
- Ron Rouse, previously manager of mechandise analysis and control, who will be director of planning and research.
- Nancy Miller, who has been promoted from store buyer to divisional merchandise manager.

# Best Buy to nearly double stores in '87

WEST PALM BEACH, Fla. — Shaking off development problems that have stymied its growth over the past year, Best Buy Drugs is laying plans for a near-doubling of store count by year's end.

Southeast Florida's homegrown drug and liquor store chain will open as many as five new drug stores and four more liquor outlets in side-by-side locations this year, said president and ceo Alan Mirabelle.

Hampered by a slow retail development pace in its four-county market area, Best Buy opened just one new drug store last year, in Green Acre City near Delray Beach. That unit—the chain's 11th drug store—was accompanied by Best Buy's first adjoining liquor outlet.

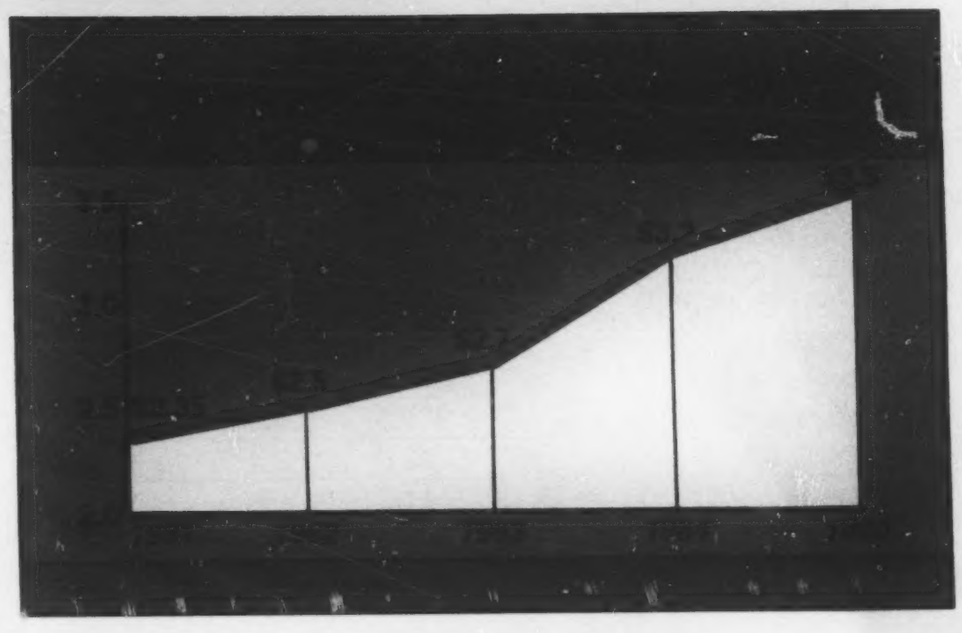
### Site approval delays

"There have been a lot of delays in getting sites approved and construction under way for the stores we're developing," Mirabelle told *Drug Store News*. "We have several sites now under construction, however, and we could visualize opening many more stores."

Best Buy operates in the southeast Florida counties of Broward, Palm Beach, Martin and St. Lucie, and has carved out roughly 5% of the drug store market, despite the domination here of such chain drug powerhouses as Walgreens, Jack Eckerd and Rite Aid. Mirabelle, who assumed the top post at Best Buy in 1986 following the retirement of founder Robert Pickett, says the chain will remain in its present market area for the foreseeable future.

## Back-to-School Show Report

| | Women under age 75 (millions of people) | % of total population | Two-parent families with both working (millions of people) | % of the total number of families |
|---|---|---|---|---|
| *1969* | 25.7 | 12.7% | 18.3 | 35.9% |
| *1973* | 28.9 | 13.6 | 20.1 | 36.9 |
| *1977* | 32.8 | 14.9 | 21.0 | 37.0 |
| *1981* | 37.7 | 16.4 | 22.5 (E) | 37.2 |
| *1984* | 39.9 | 16.9 | 23.3 (E) | 37.6 |
| *1987 (E)* | 41.7 | 17.1 | 24.5 | 38.2 |
| *1990 (E)* | 43.0 | 17.1 | 25.7 | 38.8 |



# Retailers devise strategies to pump card sales

Retailers are wondering what to expect next from the greeting card industry, which experienced a flat 1986 sell-through that left pessimism for the industry's near-term prospects.

Although Christmas sales were up moderately from 1985, seasonal card sales overall were soft, confirming the view that the industry has entered a phase of maturity.

So many classes of trade sell cards now that Hallmark, American Greetings and Gibson Greetings—the big three—have emphasized merchandising as never before, to compensate for the loss of new market development as a route to sales growth. After years of successfully rolling out card departments into mass merchandise outlets, the major companies have achieved an 85%-95% penetration. This is one major reason why card sales growth should slow to a walk for the next two to three years, according to E. Gray Glass, an analyst with Kidder, Peabody & Co.

### Sales-boosting tactics

Drug chains have attempted to maximize their sales by expanding footage, adopting fixtures that display high-margin cards to best advantage, relocating departments to capture more impulse sales, and experimenting with alternative cards. New strategies paid off in some cases when the chains discovered that sales of cards could be boosted in proportion to their exposure—up to a point.

The card companies will continue emphasizing in-store merchandising—and fiercely compete on price and terms—as they fight for market share in the slow-growth environment, Glass predicts.

"Today, price competition is being used aggressively. We expect this form of competition to intensify," he said.

Glass said a Kidder, Peabody survey showed that a surge in sales in the two weeks prior to Christmas perked up what was, overall, a slow 1986. "We do not currently anticipate any significant improvement in seasonal sales in 1987," he added.

Factors contributing to the industry's lack of growth are an already high per capita card consumption level and growth in average card prices.

Glass believes that positive demographics will be a key factor in returning the industry to a strong growth level in the long term. Moderate 4% to 5% growth over the next two years should normalize to 8% over the next five years, as a result of average growth in the 25- to 54-year-old age group, the growth in the number of working women and the increase in two-income families.

| | Sales ($ millions) | Share of total sales |
|---|---|---|
| *Christmas* | 2,200 | 31.7% |
| *Valentine's Day* | 850 | 12.3 |
| *Easter* | 100 | 2.6 |
| *Mother's Day* | 140 | 2.0 |
| *Father's Day* | 85 | 1.2 |
| *Graduation* | 80 | 1.2 |
| *Thanksgiving* | 40 | 0.5 |
| *Halloween* | 25 | 0.4 |
| *St. Patrick's Day* | 16 | 0.2 |
| *Grandparent's Day* | 10 | 0.1 |
| *Chanukah* | 9 | 0.1 |
| *Other seasons* | 5 | 0.1 |
| *Everyday greeting cards* | 3,300 | 47.6 |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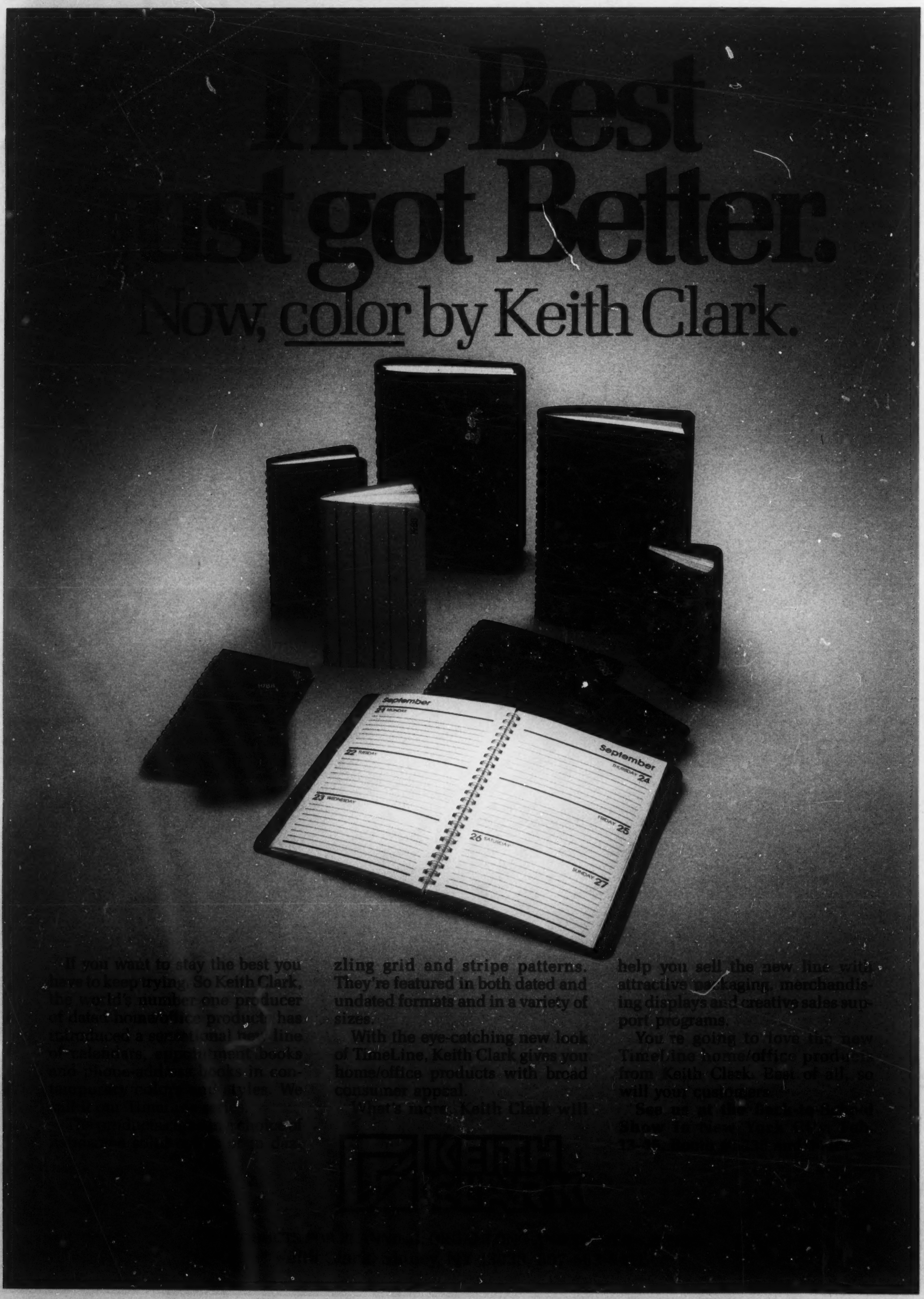
# TRENDS

## Back-to-School Show Report

| | Units shipped 1984 | Units shipped 1985 | % change |
|---|---|---|---|
| Mechanical pencils | 147.8 | 162.6 | +10% |
| Roller pens | 196.9 | 236.3 | +19 |
| Porous point pens | 579.7 | 569.4 | – 1 |
| Markers and highlighters | 301.3 | 322.4 | + 7 |
| Ball point pens | 2,192.0 | 2,216.7 | + 2 |
| Fountain pens | 11.5 | 11.2 | – 2 |

At Eckerd, Indian Rocks Beach, Fla., writing instruments are direct lit and pegged and displayed by product type rather than brand family. Stationery is in front left quarter of store, bordering race track.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# Mechanical pens, pencils fuel growth

Sales of mechanical pens, pencils and roller pens are pacing writing instrument sales growth in chain drug stores.

Stores' sales reflected the industry growth of 5%-6%, in 1986, when manufacturers' sales of mechanical writing and marking instruments topped the $1 billion barrier, according to estimates by the Writing Instrument Manufacturers Association.

Up from 1985's $970 million, the sales were fueled by growth in the categories of mechanical pencils, porous point soft-tip pens, roller pens and highlighters, according to WIMA executive vp Frank King.

### Mechanicals a leader

Chain buyers said mechanical pencils were a leading segment this year "especially the 5mm," noted Begley buyer Chuck Reeves.

"Scripto has been about the best, since it's the lowest priced," said Paul Chabot, a buyer at Douglas Drug, the 11-store North Providence, R.I., chain.

Buyers said that Bic's 5-pack of disposable mechanical pencils was a strong item, as were upgraded mechanical pencils, such as Pentel of America's Quicker Clicker.

Multipacks, including Bic and Paper Mates' Write Bros., continued to have good turns, with the Write Bros. 10-pack typically retailing at $1.49 to $1.59.

### Looking at rollers

Since buyers want to maximize their use of space in the high-potential school and office planograms to ensure that every peg is holding its own, they are taking a hard look at the roller pen segment, where vendors and sku's have proliferated.

Several buyers said that erasable pens seem to have peaked. Page Drug is reducing exposure there as a result. "They've pretty much seen their heyday," noted Page buyer Steve Standifer.


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TRENDS

Back-to-School Show Report

# Hot fashion colors spur growth in back-to-school, home-office

| | Sales | Share |
|---|---|---|
| Apparel and accessories | $18.7 billion | 34.5% |
| Toys/games | 8.3 | 15.5 |
| Gifts/novelties | 4.9 | 9.0 |
| Home furnishings/housewares | 4.3 | 8.0 |
| Foods/beverages | 4.1 | 7.0 |
| Health & beauty aids | 2.7 | 5.0 |
| Computer/video software | 2.4 | 4.5 |
| Sporting goods | 1.6 | 3.0 |
| Other | 1.2 | 2.0 |
| Total | $54.3 | 100.0 |

Drug store stationery merchants report that the explosion of color in back-to-school/home office is stealing thunder from the growth of licensed products.

They sense that consumers, in large part, are now opting for fine fashion shades and primary colors—as they upgrade the quality of stationery items they use and make personal statements about themselves.

Licensed characters are on many quality student products, too. And Stuart Hall is breaking ground with a Pierre Cardin line of legal pads, steno notebooks and memo pads—believed to be the first such licensed products for adults this year.

### Still significant

While growth of colors is outpacing licensing as a trend, buyers nationwide told *Drug Store News*, licensed growth is still significant.

According to *The Licensing Letter*, retail sales of licensed publishing/stationery products grew to $6.1 billion in 1986. That represents 11.5% of total retail licensed sales in the United States, which grew 8% last year to $54.3 billion.

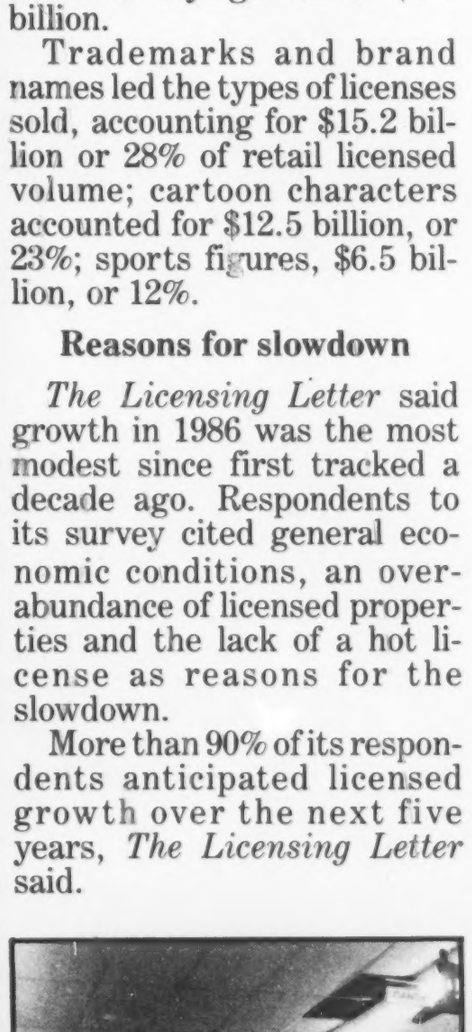
The publishing/stationery segment was the third most active merchandising category for licensing, behind apparel and accessories at $18.7 billion and toys/games at $8.3 billion.

Trademarks and brand names led the types of licenses sold, accounting for $15.2 billion or 28% of retail licensed volume; cartoon characters accounted for $12.5 billion, or 23%; sports figures, $6.5 billion, or 12%.

### Reasons for slowdown

*The Licensing Letter* said growth in 1986 was the most modest since first tracked a decade ago. Respondents to its survey cited general economic conditions, an overabundance of licensed properties and the lack of a hot license as reasons for the slowdown.

More than 90% of its respondents anticipated licensed growth over the next five years, *The Licensing Letter* said.



**Licensed character stationery items get full front facings on top shelf of heavily sku'd B-T-S/home office/tax time aisle at Austin Drugs, Plainview, N.Y., to prompt impulse sales.**

Back to school kit

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Florida Prescribing Law

INSIDE PHARMACY

# Most Florida pharmacists not prescribing

By Harold Cohen

*Some say the Florida prescribing law, under a year old, is the best thing to hit the profession; others think that it already could use a major overhaul.*

*According to an exclusive* Drug Store News *survey, Florida pharmacists have been less than enthusiastic about the new law. In fact, the majority have decided not to take the prescribing plunge at all. What do they say is the major reason for their lack of participation? Liability.*

*While it is easy for pharmacists to use liability as the major reason for not prescribing, interviews conducted during a week of travel in Florida uncovered another story.*

*And that is that the lack of time needed to consult with customers on prescribed drugs, plus a weak formulary, overshadow their liability fears. Pharmacists, particularly in busy script stores, said that although liability is a worry, they are far more concerned about getting backed up on their work.*

*Some said that if the law is to succeed, the formulary of drugs allowed to be prescribed has to have more bite.*

*Even among those pharmacists who were prescribing, virtually none were advertising the service—with the exception of a small blurb in a chain circular. It's as though they were saying: "Yes, I'll prescribe if the need arises, but I'm not going to go out looking for it."*

*All the interviewed pharmacists agreed that the state had done a poor job of explaining the law to the consumer. Confusion among customers, especially within the first few months of the law, ran high. "All they wanted were drugs that were not on the formulary, like antibiotics," said one pharmacist.*

*But through all the negativism, the law did result in some positive attitudes.*

*Several pharmacists said that because consumers thought pharmacists could prescribe drugs not listed in the formulary, they came into the store with ailments that might have gone untreated. It gave pharmacists the opportunity to "convince" these individuals to see a physician. Some said the physicians actually benefited from the law because of the unexpected referrals.*

*Another ripple effect was that the law, as humble as it may be in the eyes of some pharmacists, lifted the spirits of pharmacists by elevating their professionalism in the eyes of the average consumer.*

*While not perfect, most pharmacists in Florida agree, the law opens doors of opportunity for those aggressive enough to walk through. How pharmacists in Florida handle that opportunity will be watched closely by several states with similar prescribing laws waiting in the wings.*

## Survey finds liability fears, time, company policy key factors

Most Florida pharmacists have given the thumbs-down sign to a new law that allows them to prescribe a limited number of prescription drugs without a physician's authorization.

According to an exclusive research study commissioned by *Drug Store News/Inside Pharmacy*, chain and independent pharmacists in the Sunshine State have overwhelmingly rejected the opportunity to prescribe drugs under the nearly one-year-old Florida Pharmacist Law.

The report shows that 84% of the more than 200 pharmacists surveyed are not currently prescribing, and 90% of those nonprescribers said they have no plans to do so within the next six months.

*The study shows that 84% of the more than 200 pharmacists surveyed are not prescribing, and 90% of those nonprescribers said they have no plans to do so . . .*

For those retailers who *are* prescribing, the pharmacists' prescriptions account for less than 1% for the total scripts filled annually.

The negative response was nearly the same for both independents (90%) and chain pharmacists (80%).

The pharmacists gave many reasons for not writing prescriptions. Among the key issues were concerns over "personal liability" (61%) and "increased insurance costs" (32%), as well as "It takes too much time to write prescriptions" (39% of chains and 40% of indys) and company policy restrictions (27%).

Among the reasons that drew a smaller response, 10% of the pharmacists said they had no requests of the drugs on the formulary, 8% felt that there were comparable OTC drugs available that were just as effective, 6% said "pharmacists not really qualified to prescribe/diagnose," and 4% cited inadequate reimbursement for time and effort. Only 1% said that it was because the formulary of drugs allowed to be prescribed was too limited.

### Decision makers

In most cases, the decision to prescribe is being made by individual pharmacists rather than by company mandate (74% vs. 24%). Significantly, pharmacists who must follow company policy are overwhelmingly opposed to pharmacists' prescribing (94% vs. 4% who approve of the practice).

The study further showed that pharmacists who were told not to prescribe by company policy were satisfied with the decision. Overall, two-thirds said they "agree completely/somewhat" with the policy, with a large portion answering they agree "completely."

Nearly one-quarter (23%) disagreed "completely/somewhat." A third of this group believed that the "decision should be left up to the pharmacists' discretion."

**Why Florida pharmacists don't write prescriptions**

| Reason | Total | Chains | Indys |
|---|---|---|---|
| Personal liability | 61% | 53% | 74% |
| Takes too much time | 39 | 39 | 40 |
| Increased insurance costs | 32 | 28 | 40 |
| Company policy | 27 | 27 | 28 |
| No requests | 10 | 9 | 13 |
| OTC drugs are comparable | 8 | 9 | 6 |
| Pharmacist not qualified | 6 | 4 | 9 |
| No reimbursement for time | 4 | 6 | 6 |
| Limited formulary | 1 | 2 | — |
| Other | 6 | 8 | 3 |
| Don't know/no answer | 1 | 2 | — |

Note: Percentages may exceed 100% due to multiple responses
Source: Lebhar-Friedman Research

**Medications most often prescribed under Florida prescribing law**

| Category (specific drug) | Total | Chains | Indys |
|---|---|---|---|
| Scabicides/pediculocides (Kwell, Lindane) | 78% | 79% | 75% |
| **Eardrops** (Domeboro, Auralgan) | 28 | 21 | 50 |
| Decongestants/antihistamines (Nonafed, Tavist, various generics) | 25 | 21 | 38 |
| **Antifungals** (Lotrimin, generics) | 25 | 32 | — |
| Anthelmintics (Antiminth) | 19 | 18 | 25 |
| **Vitamins with fluoride** (Poly-Vi-Flor, generics) | 19 | 18 | 25 |
| Nonsteroidal anti-inflammatory (Ibuprofen) | 17 | 11 | 38 |
| **Antiemetics/antivertigo agents** (Antivert, Meclizine) | 8 | 7 | 12 |
| Other (Pyridium, Duofilm, Corticaine) | 14 | 14 | 12 |

Note: Percentages may exceed 100% because of multiple responses
Source: Lebhar-Friedman Research

Even among those pharmacists who are prescribing, the law did not get high marks. While most (68% chain, 75% indys) of this group said they were satisfied with the law, almost half answered they were only "somewhat" satisfied, compared to 25% who said they were "very" satisfied.

Among those prescribing, only 11% of the chains and 12% of the independents registered any dissatisfaction and 18% of the chains and 12% of the independents said they were "neither satisfied nor dissatisfied" with the law.

Overall, while most of the prescribing pharmacists (both satisfied and dissatisfied) said that the current formulary should be expanded, 90% of those who were satisfied with the law said it improved their professional image to varying degrees.

"[The law] allows me to legally help customers in emergencies when they can't get to a doctor," said one pharmacist. Another said the law "has increased customers' opinion of my professional image," while still another satisfied pharmacist said that the "law helps customers save money on doctor visits by self-diagnosis of obvious conditions."

A comment from one pharmacist who thought the formulary could use expanding was: "It's a nice beginning, recognizing the pharmacist has the expertise to prescribe certain items for certain conditions, but I'd like to see the program expanded to include short-term prescriptions."

And finally, from those who were "somewhat" or "very dissatisfied" with the law came these comments: "Not enough products/too limited in what we may dispense" and "not justly compensated for extra time and liability involved."

### Most often prescribed

The majority (78%) of prescriptions written by pharmacists were for scabicides and pediculocides, such as Kwell and Lindane.

Other categories included eardrops (28%), decongestants/antihistamines (25%), antifungals (25%), anthelmintics (19%), vitamins with fluoride (19%), nonsteroidal anti-inflammatory agents (17%), antiemetic/antivertigo agents (8%) and other miscellaneous products such as Pyridium, Duofilm and Corticaine (14%).

The data suggest that independents prescribe a greater variety of medications than do chain pharmacists. These included eardrops, decongestants/antihistamines, anthelmintics, vitamins with fluoride, NSAIDs, and antiemetic/antivertigo agents.

Interestingly, chain pharmacists were more likely than independents to prescribe antifungals.

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**Beauty Beat:**
*Video lets women 'try' hair colors—p. 18*

**C.E. Lesson**
*Home diagnostics—p. 35*

*and 35mm's clicking—p. 11*


# DRUG STORE NEWS

Vol. 9/No. 5 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. March 2, 1987


## Dart reported to eye SGC

WOODBRIDGE, N.J. — Dart Group has reportedly accumulated a stake in Supermarkets General Corp., operator of food and drug stores under the Pathmark, Purity Supreme, Heartland and Pharmacity banners.

At presstime, rumors that the acquisition-minded Dart Group had acquired at least 4.9% of the shares of SGC could not be confirmed. Spokesmen for both companies refused to comment on the published reports, and a spokesman for the Securities and Exchange Commission said Feb. 18 that no documents relating to the purchase of SGC stock by the Dart Group had yet been filed. Purchasers of more than 5% of a company have 10 days in which to file.

*Part of strategy to reverse losses*

# Pay 'n Save sets mail-order course

By Bruce Buckley

SEATTLE — Pay 'n Save will take a crack at the growing mail-order pharmacy business this year, according to Gerald Nathanson, the drug chain's vice chairman and ceo.

"It's a big business, and we're going after it," said Nathanson, the former McCrory executive who took over the struggling company last October. "We'll do it on our own or as a joint venture," he said.

Nathanson pointed out that although margins for mail-order drugs are less than for those sold at retail, the staffing costs of maintaining a mail-order facility are much less, and, in fact, the lower costs more than offset the slimmer margins.

Mail-order pharmacy is just part of a major strategy overhaul that Nathanson and a new team of top executives are undertaking in an attempt to reverse the company's fortunes after last year's staggering losses.

*'Pay 'n Save has to cross the line between ordinary and extraordinary. Most retailers never cross that line.'*

**Gerald Nathanson**
*Vice chairman and ceo*

For the year ended Nov. 1, 1986, the 140-store company (107 Pay 'n Saves, 33 Bi-Marts) rolled up losses of $49.5 million on sales of $551.1 million.

Some of the losses had been anticipated, the result of a radical shift in merchandising strategy instituted early last year by chairman William Zimmerman. The strategy en-

*See* **Pay 'n Save,** *page 41*

# *Revco gives cosmetics facelift*

**Revco reports dramatic increases in cosmetic/fragrance sales after developing a new planogram that gives the section "greater visibility" in the front of their stores.**

In some 15 Revco stores that have been retrofitted to locate the cosmetics and greeting card departments closer to the front of the store, per store sales are up "dramatically" in both departments.

Revco's top management is still in the process of completing their capital expenditure plans for fiscal 1988, which begins June 1, but Ellis Jones, Revco's divisional merchandise director, says the retrofit is a definite success and will be a key priority in Revco's 1988 budget.

Jones said that Revco will continue with the retrofit in as many stores per year as are fi-

*See* **Revco,** *page 41*

## LATE NEWS

• NEW YORK — Thrift Drug posted its fifth consecutive year of record profitability, spurred by store growth, increased dominance in the mail-order pharmacy business and the success of its new durable medical equipment business.

• DALLAS — Kroger, Tom Thumb/Page, Skaggs Alpha Beta and Safeway each launched triple coupon offers here in February, limiting each shopper to four redemptions. Double couponing is already common in the market.

• WEST SPRINGFIELD, Mass. — The Jean Coutu Group U.S.A. has delayed opening Maxidrug here, its first deep discount effort, until March 26. Systems still need to be tested and shelf sets done. By buying a local independent, the store's pharmacy operation will start with a 30,000 patient file.

## Walgreens seeks new Rx ventures

DEERFIELD, Ill. — Armed with a nationwide, online pharmacy computer system and its powerful health care franchise, Walgreens is extending its prescription drug marketing efforts into new areas.

The chain, which put together a 28.5% increase in pharmacy sales last year, is going after third-party prescription business and building on its nursing home and mail-order Rx market.

*See* **Walgreens,** *page 41*

## At Kroger, high blood pressure doesn't pay

LOUISVILLE, Ky. — Traffic for blood pressure tests increased fourfold at some Kroger supermarket pharmacies in the Lexington and Louisville markets, where Kroger gave perfect scorers $25 gift certificates.

"We thought it was very clever," said Mitch Jacobs, vp-marketing and merchandising, at Richmond, Ky.-based Begley Drugs. "But we don't think they've made a major impact in the pharmacy market," Jacobs added.

Kroger store sources said the Feb. 2-7 promotion that started with full-page ads in the *Lexington Herald-Leader* and the *Louisville Courier-Journal* produced daylong

*See* **Kroger,** *page 41*

# NEWS IN BRIEF

## Wetterau combo format in the wings

ST. LOUIS — Wetterau's retail division is drawing up plans for a new, franchised combination store format of up to 100,000 sq. ft. and hopes to open the first such unit this year, company officials say.

Although the prototype is "still in the development phase," a spokesman said, the food wholesale and retail company is known to be committed to "the latest thinking of a large, combination-store format," with an upscale decor, specialty departments and a fully stocked drug store section. At Wetterau's annual meeting last year, retail group president George Chirtea called such a format "the wave of the future."

The location of the first unit and other details have yet to be decided, according to company spokesman Dick Dalton. Wetterau already acts as supplier and franchiser of several supermarket and warehouse store formats and operates a chain of combo stores under the Laneco banner in Pennsylvania and New Jersey.

## Head of Perry's Chicago group retires

PONTIAC, Mich. — Seymour "Sy" DeKoven, president of Perry Drug Stores' Chicago group, has retired after six years with the chain and 41 in the industry. He will be a consultant for Perry, at the request of chairman Jack A. Robinson.

DeKoven was a partner in a 26-store chain acquired by Perry in 1980. He was then appointed president of the Chicago group.

Seymour "Sy" DeKoven

## Van Laare gets SDM- Pharmaprix post

TORONTO — Shoppers Drug Mart has named Fred Van Laare as executive vp-operations, responsible for all SDM and Pharmaprix operations across Canada.

He had been executive vp-operational services and served earlier as executive vp of the company's Florida division.

Fred Van Laare

## Alco buys companies in Ind., Ark.

VALLEY FORGE, Pa.—Alco Health Services Corp. said it has purchased Archer Drug Co., Little Rock, Ark., and Michiana Merchandising Systems, Mishawaka, Ind. They are distributors of pharmaceuticals, H&BA and sundries and were purchased for undisclosed amounts of cash.

Archer had sales of over $35 million in 1986 and Michiana annual sales are in excess of $20 million.

## McKesson completes Millbrook purchase

SAN FRANCISCO — McKesson Corp. has completed its buy of Millbrook Distributors Inc.

Millbrook distributes H&BA, gm, food and candy to supermarkets and department stores in 11 Northeastern states. With $95 million in annual sales, Millbrook has 300,000 sq. ft. of warehouse space in Leicester and Worcester, Mass.

# INDEX


| | |
|---|---|
| Beauty Beat | 18 |
| C.E. Lesson | 35 |
| Cosmetics: Category in motion | 21 |
| Editorial | 6 |
| Financial | 42 |
| Focus on people | 34 |
| Gladson: Store Manager Training Program | 22 |
| People in the news | 8 |
| Product Update | 23 |
| Rx/OTC product update | 40 |
| Trends | 11 |


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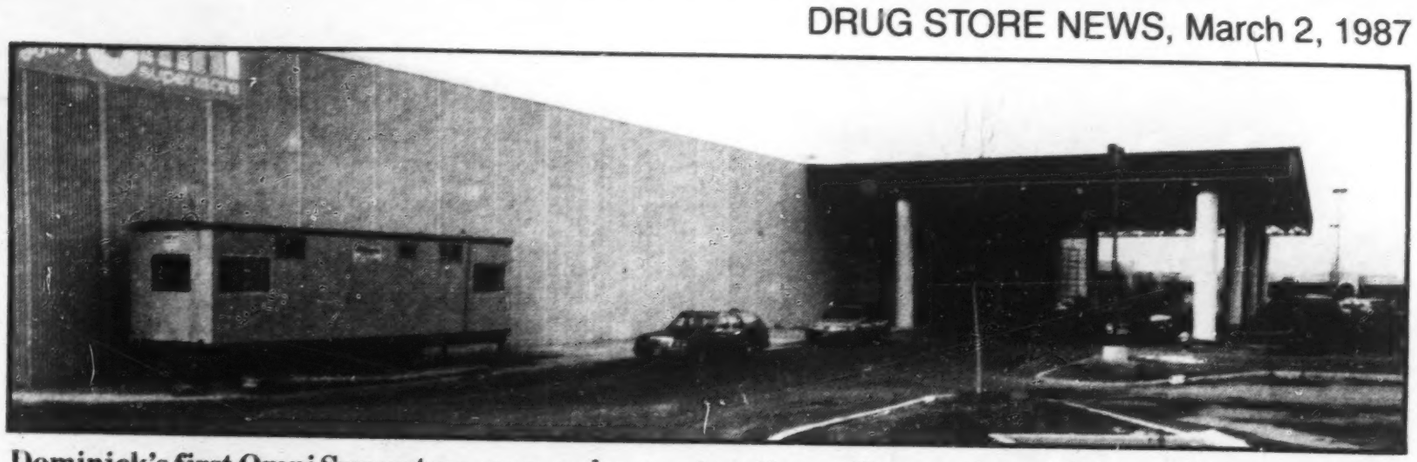


Dominick's first Omni Superstore, now under construction, will co-anchor with Zayre the Green Oaks shopping center in Orland Park, Ill.

# Dominick's superstore set for Chicago spring debut

CHICAGO — Drug store retailers will face a new source of competition here when Dominick's Finer Foods opens its first Omni Superstore in April.

The new prototype will offer a full-scale pharmacy and broad mix of food, drug and general merchandise in a large-scale, upscale-look superwarehouse format, at discount prices.

The first Omni store will open in the Chicago suburb of Orland Park, and plans call for as many as four additional units in the Chicago area this year, according to local observers. The stores will range in size up to about 90,000 sq. ft., with ample space devoted to H&BA, greeting cards, video rentals, household products and even lawn and gardening equipment. Despite the warehouse format, the units will feature a clean, upscale shopping environment.

### 'Unique concept'

"This will be a new, unique superwarehouse store concept, and a brand-new era for Dominick's," noted a company spokesman. "Omni will mean innovative, third-generation stores offering the widest possible variety of merchandise in an upscale format."

Omni is the newest weapon in the chain's already powerful retail arsenal, which also includes combo stores and Jerry's a growing chain of deep-discount drug stores. The Omni format is being developed by a new, wholly owned division of Dominick's called Omni Superstores.

Reportedly involved in the project are Jim Fenzel, the chain's director of purchasing, and some retail veterans of Cub Foods, the nation's largest operator of warehouse grocery stores. Cub already operates seven units in Chicagoland, but Omni, with its broader merchandise mix, is expected to have a greater impact on local drug retailing.

### 89 supermarkets

Dominick's currently fields 89 supermarkets in Greater Chicago, including 11 combo stores, and three Jerry's off-price drug stores. The chain opened its 11th food/drug combo Feb. 24 in the suburban community of Hoffman Estates and plans to open another three Jerry's units this year.

# Osco expands role of key exec Grove

OAK BROOK, Ill. — Osco Drug has named former vp-distribution Ronald Grove to the newly expanded position of vp-marketing. Grove, 45, replaces former vp-marketing Haven Ready, who has joined Seattle-based Pay 'n Save as vp-operations and distribution.

Effective Feb. 4, the appointment gave Grove overall responsibility for three key areas—merchandising, advertising and distribution—and makes him one of Osco's top decision-makers. "It's an expanded role, since Ron is still in charge of distribution. That wasn't a part of the vp of marketing position before," said Bob Braden, Osco's vp-advertising. "Ron already had broader responsibilities than just vp of distribution, before the promotion."

Reporting to Grove will be Arlyn White, former director of physical distribution, now promoted to vp-distribution. As such, White will continue to oversee day-to-day physical distribution and the daily operation of Osco's warehouse facilities nationwide, Braden said.

The creation of an expanded position for Grove may allow for a closer coordination at Osco between purchasing, promotion, shelf allocation and planning, and inventory management. The chain now operates the most far-flung drug store network in the United States, with 660 units in 30 states coast-to-coast.

# Drug Emporium beefs up Atlanta base

## Deep discount prices stoke market competition

ATLANTA — Extending its reach in the nation's 12th-largest drug store market, Drug Emporium opened two new deep discount outlets here Jan. 29 in the rapidly growing suburbs northeast of the city.

The openings bring to 16 the number of Drug Emporium stores now operating throughout the Atlanta market, all of them corporately owned.

The Atlanta market has traditionally been dominated by Jack Eckerd, Peoples Drug Stores' Reed Drugs division, Revco D.S. and Thrift Drug Co.'s Treasury Drug division. Drug Emporium's rapid move into Atlanta over the past three years, however, is having a profound effect on market share, and the off-price drug chain is now challenging Revco and Thrift for third place in drug store sales in greater Atlanta.

### Expansion not over

The chain's expansion in Atlanta is not yet over, said executive vice president Gary Wilber. "We really see it as a 20-store market," Wilber said, "but we are concentrating on strengthening other markets for the rest of this year."

Drug Emporium now numbers 117 units nationwide and plans to open another 30 to 40 off-price drug stores this year, Wilber added. Most will be franchised rather than corporately owned. The new units will be spread throughout many of the chain's current market areas.

"We're not making any big push into a new market this year," he said. "Our growth this year will be a lot of one- and two-store additions in existing markets, and it will be pretty widespread coast-to-coast. There are a lot of spots to fill in."

## *Correction*

Because of a typographical error, the date of the Associated Chain Drug Stores' special program at this year's Housewares Show was incorrectly given. ACDS will show member chains as many as 150 "Super Special" items on Monday evening, April 6, at the Conrad Hilton & Towers in Chicago.

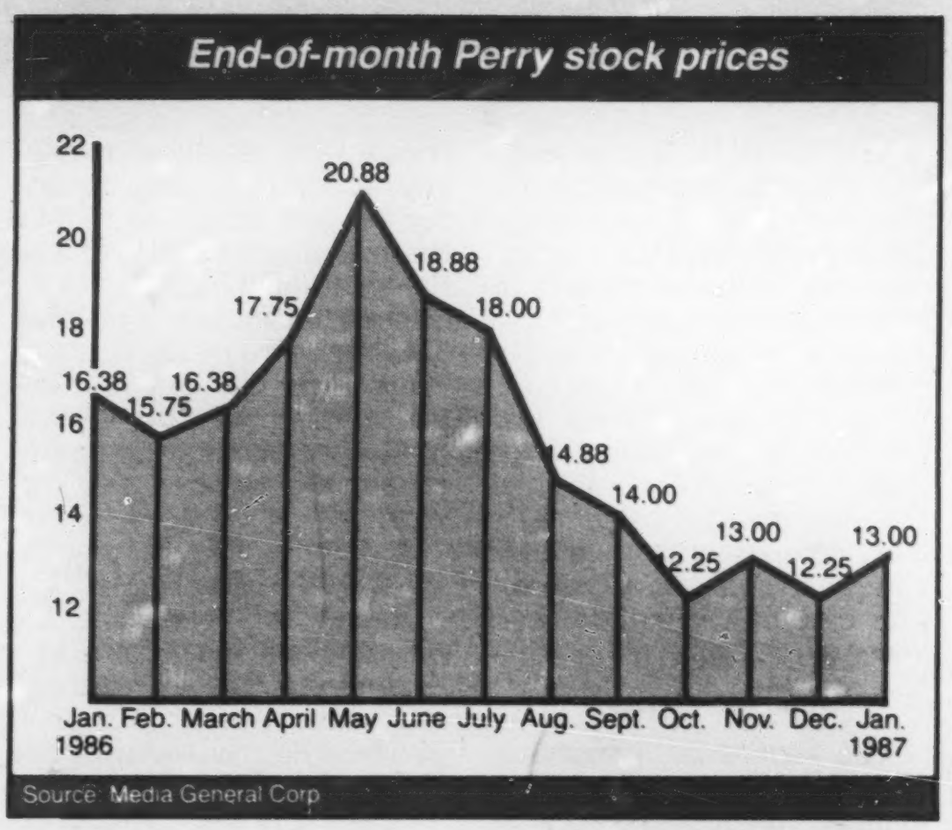
# Perry adopts takeover defense plan

PONTIAC, Mich. — Perry Drug Stores is the latest publicly held drug chain to gird itself against a possible hostile takeover attempt.

Perry's Board of Directors, fearing that the company's low stock market valuation could make it easy prey for a corporate raider, approved a complex plan in early February that could make an unfriendly bid far more difficult.

Faced with a sluggish performance on Wall Street over the past year or so, several public drug chains have adopted antitakeover measures, including Longs Drug Stores, Genovese and Big B. Perry's vulnerability has increased as its stock price has remained at the low end of its 52-week range for months. Since last fall, the company's price per share has traded mostly in the $12-$14 range, far below its annual high of $20.88.

"We all know the flirtatiousness of the stock market, with Wall Street placing a high premium on different industries at different times," noted Bob Berlow, Perry's vp and general counsel. "The concept here is to try and maintain the value of Perry's stock and ensure that all shareholders are treated fairly and equally in the event of a takeover attempt."




### Rights plans

Under the shareholder rights plans, Perry's board declared a dividend distribution, payable Feb. 20, which gives Perry shareholders the right to buy shares of a newly authorized series of preferred Perry stock. Each share of common stock held at the close of business Feb. 20 entitles shareholders to purchase 1/100th of a share in the newly authorized preferred series, at an exercise price of $48.

In the event of a hostile takeover bid, shareholders exercising their option would then have the right to buy shares in the takeover firm at a discount of 50% below market price, in an amount matching their stake in the new series of Perry preferred.

Thus, a Perry shareholder who purchased one full share of new Series A preferred for $4,800 would then be entitled to purchase up to $9,600 worth of stock in the acquiring company for another $4,800.

### 'Cooling-off' period

The rights option would be triggered in the event any suitor acquires more than 20% of Perry's common stock, Berlow explained. The plan also allows for a 20-day "cooling off" period in which both sides could negotiate.

"The whole idea is to force the suitor to come to the table and talk with the company to arrive at a fair price for shareholders," Berlow said. "It would reverse the situation against the hostile bidder."

## Growth seen for upscale makeup, scents

WASHINGTON — More fragrances and cosmetics from upscale manufacturers will be found on discount drug store shelves in 1987, according to U.S. Department of Commerce forecasts.

"Price will continue to be a strong influence on sales," said government economists, in predicting increases in sales of "prestige" toiletries through discount outlets.

Fueled by rising demand at the mass market level, U.S. cosmetic industry shipments should rise 2.6% this year. Economists are projecting a shipment value of $13.7 billion in 1987, up from $12.9 billion last year. In addition, growth in toiletries sales should continue

*Continued on page 16*

# Reeves, unHooked, to consult

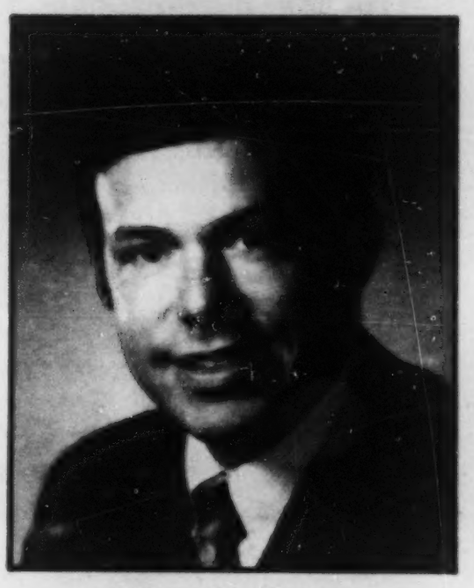
KNIGHTSTOWN, Ind. — Where does a top drug executive turn for job security in an industry awhirl with takeovers?

If you're J. Douglas Reeves—whose Hook Drug chain was sold twice in two years—you might say: "If you can't beat them, join them."

"I'm not a person who second-guesses someone else. If you give me a lemon, I make lemonade and go on," says Reeves.

### Became a consultant

After Reeves bailed out of the buyout of Kroger's Midwest SupeRx and Hook stores, he set up as a consultant in his hometown here. In his role as a consultant for Hook-SupeRx Inc., the new drug chain that was formed, he has helped to plan Kroger's divestiture of its remaining drug stores, working as a liaison between Kroger and the purchasers. He was also responsible for operating the stores until they were sold.



J. Douglas Reeves

"I'm very proud of the record that we achieved at the Hook's organization; and the experience now serves me well as a consultant," said Reeves.

"I might be interested in running a business again one day, but I'm not actively looking for a responsibility at this point," he added.

Reeves, with Hook for 23 years, continued in the chain's chairmanship when Kroger bought the business in 1985, after Rite Aid made a bid for the Indianapolis-based chain. He was then named a drug division executive vp in charge of the SupeRx drug store operations.

### Helped in planning

When the pressurized takeover climate prodded Kroger into studying divestiture moves last June, Reeves helped to plan Kroger's drug store options. But by October, he knew he didn't want to join the planned leveraged buyout.

"There was a role for me in the leveraged company if I sought it out. But I'd always been in a company that had developed its own cash internally, and I didn't feel comfortable in an environment where there was significant debt, especially when a major time commitment had to be made," Reeves said.

Apart from his relationship with HSI, he has seven other clients for whom he is involved in strategic planning and executive training.

# Auto Works DC unites distribution, warehousing

MORAINE, Ohio — Perry has opened a new, highly automated warehouse here, which brings together for the first time all warehousing and distribution activities for its Auto Works discount auto parts division.

The move also frees up significant distribution space for drug store merchandise in the central Pontiac, Mich., warehouse.

The new, 312,000-sq.-ft. center, opened Feb. 2, consolidates all auto parts inventory under one roof and provides a central distribution site with access to major interstate highways, including I-75, I-70 and I-71. It will supply all 233 Auto Works stores in nine states, as well as all auto parts sections in Perry drug stores.

All auto parts sales account for approximately 25% of total corporate sales.

Perry's auto parts inventory was formerly supplied out of the company's distribution centers in Pontiac; Columbus, Ohio; and Muncie, Ind., as well as from ancillary sites.

### 'A step forward'

"The opening of this center is a big step forward in the growth of the Auto Works division," said Perry spokesman Len Fink.

Built at a cost of $5 million in an existing structure, the new warehouse has the space capacity to stock 500 Auto Works stores fully, thus paving the way for a doubling in size of the existing Auto Works division. The center "surpasses Pontiac" in its level of state-of-the-art automation, Fink said, with automated picking and sortation systems, high-speed conveyors, laser scanning and other features. The scanning system can sort up to 120 cases a minute for automatic routing to truck shipping bays, he added, or a total of about 15 million cases a year.

Perry added another 50 Auto Works stores last year and reaped $144 million in sales from the division. Those sales added up to 22% of total corporate revenues.

## Ex-chain exec Kepford dies

HARBOR SPRINGS, Mich. — Ira C. "Ike" Kepford, former president of Liggett-Rexall Drug Co., died here last month at 67, in the city he retired to 16 years ago.

A Michigan native, he moved to Los Angeles after World War II to work for Owl Drug Co., a subsidiary of Rexall Drug.

He was promoted to vice president in 1949 and transferred to the East Coast. He became a notable industry figure when named to the presidency of Liggett-Rexall, a 360-drug store subsidiary, in 1956, at the age of 37.

Kepford, regarded as a people-oriented manager, also achieved outside the drug store industry. He was an All-American halfback and defensive player at Northwestern University and a decorated U.S. Navy fighter pilot during the war.

# Thrifty gains yardage with Gart buy

DENVER — Thrifty Corp. has extended its reach to 13 states and strengthened its retail sporting goods division with the recent purchase of Gart Bros., a thriving chain of 16 sporting goods stores based here.

Under its new owner, Gart Bros. "plans to continue its aggressive expansion plans" in Colorado and other Western states, Thrifty announced.

Gart Bros. has been a fixture on Denver's retail scene for 59 years, operating a well-known multistory retail complex downtown, called the "Sportscastle," as its flagship store. The chain now has 15 other large-scale sporting goods outlets along Colorado's Front Range, from Colorado Springs to Fort Collins.

Neither Thrifty nor Gart Bros. would disclose a purchase price for the takeover. Gart's annual sales have been estimated at nearly $40 million.

### Family management

A closely held company, Gart has remained under family management since its inception in 1928. Under the terms of the buyout, president Jerry Gart and other family members will continue to manage the chain as an autonomous unit of Thrifty. The Gart family will also retain ownership of the chain's real estate, leasing the properties to Thrifty's Gart Bros. Sporting Goods division for at least 15 years.

Division president Jerry Gart said the sporting goods chain will be "expanding explosively" throughout the western United States, backed by new infusions of capital under Thrifty. The acquisition, he said, "merely accelerated our plans" to move into such markets as Salt Lake City, Phoenix, Kansas City and Omaha, Neb.

### Thrifty plans

Thrifty now operates more than 600 drug stores in nine Western states, as well as 91 Big 5 sporting goods stores in California, Nevada and Washington, and 23 MC sporting goods outlets in Michigan, Illinois and Ohio.

The chain will open about 50 new drug stores this year, including 25 large-scale Thrifty Drug and Discount Stores and 25 Thrifty Jr. outlets. At this time, there are "absolutely no plans" to bring its drug store operations into Colorado, a company spokesman said.

TRENDS

# Service, quality—not price—drive photofinishing

Photoprocessing remains a crucial element of drug store retailing, contributing nearly $1 billion to total industry revenues last year and providing a solid traffic draw. But intense competition from one-hour mini-processing labs and other sources has squeezed margins and slowed growth rates for drug store photofinishers.

Even Walgreens, a chain drug industry leader in photofinishing, has seen a modest slowdown in the rate of growth for its processing business. Sales for the category were still up a healthy 15% last year, on top of 20% increases in prior years, the company reported, "with excellent profit improvements."

### Increases spotty

Industrywide, however, photofinishing sales increases are spotty, despite the rapid growth in popularity of 35mm formats and the growing sophistication of amateur picture-takers. Although business continues to grow—last year Americans spent about $4 billion to develop some 13.9 billion photos, according to the Photo Marketing Association (PMA)—the sales pie is being cut into more and more pieces as new competitors enter the field. Among the chief culprits are mini-labs—a relatively new phenomenon—and one-stop superstores.

"Photofinishing has been a struggle this past year, because everybody's in the business now," noted Bill Dunaway, Dunaway Drug Stores president, echoing a commonly heard complaint. "One-hour labs have sprung up all over our market area, and every discount store and superstore in town has a piece of the film processing business now."

Added Russ Smith, May's Drug Stores executive vice president: "The processing business seems fairly flat right now. I think from time to time, you need to make changes in the way you market and promote the business to keep up your sales increases."

### Service, quality key

Smith and other chain drug executives agree, however, that it is service and print quality—not price—that drive photofinishing sales today. "We're extremely quality-oriented in our approach to photo printing and constantly checking our work," said Wynne Powell, photo merchandise manager for London Drugs Ltd. in western Canada. "We'd match our work against that of any professional lab."

London is one of the most aggressive marketers of photofinishing services in the chain drug industry and was a pioneer in the installation of one-hour in-store mini-labs in its large-scale drug outlets. The in-store units are now a part of all but two of the chain's 28 stores, establishing London as a leader in film processing and photography equipment sales in its market.

The chain goes far beyond just the convenience aspect of in-store lab work, however.

"A lot of people think it's easy to just set up an in-store lab and pick up more sales, but I would caution them that this is an extremely cutthroat, low-margin business to be in unless they are ready to devote their attention and resources to it," Powell told *Drug Store News*. "To work effectively, you have to have a combination of things: the right location, the right equipment, a well-trained staff, heavy store traffic and a commitment to quality photofinishing.

### 'Repeat business'

"Photofinishing is a repeat business," he went on, "and customers will remember convenience and quality before they remember price when they're looking for a developer. We treat it as a specialty business within the drug store framework, and we take pains to maintain skilled sales staff."

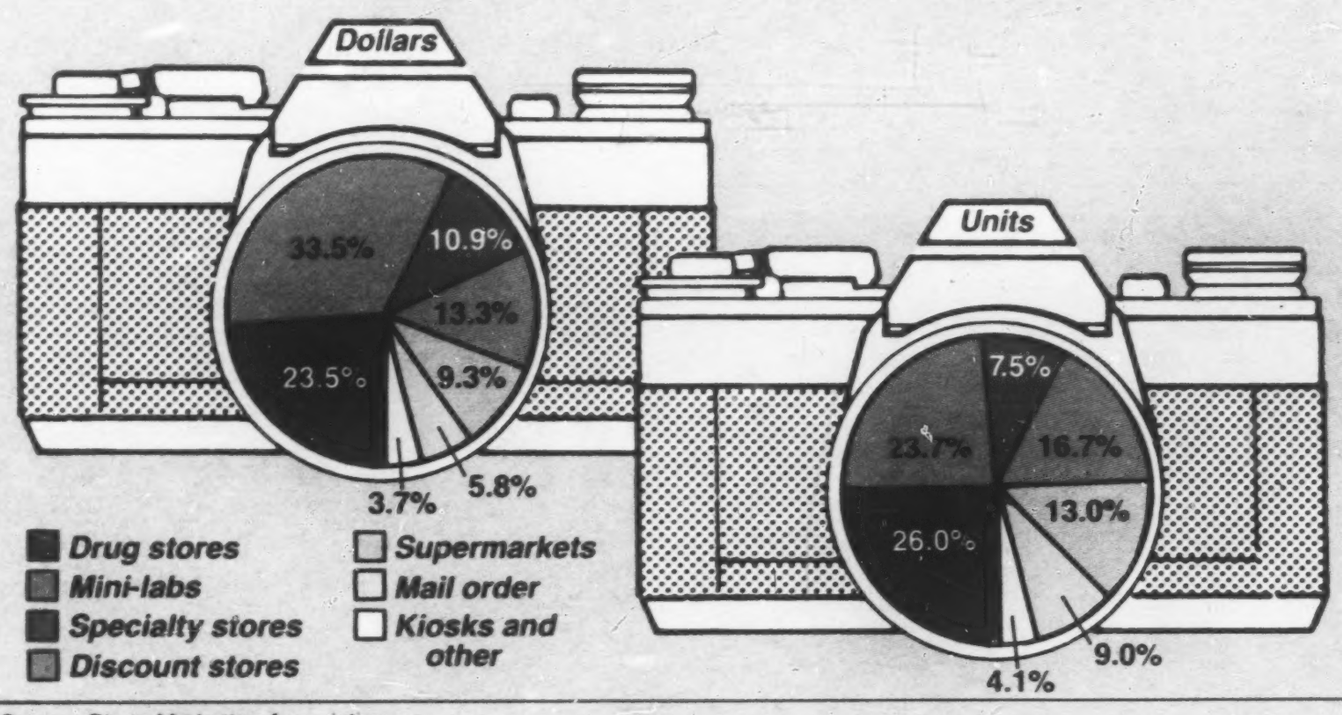
"We're considering in-store labs for the first time, in certain units where we feel store traffic warrants it," added May's Drug Stores' Smith, "but it depends on where we take the concept. My interest is still in getting the customer into the store twice to develop and pick up his pictures."

Despite its costs, the one-hour lab has come into its own and is now a market force. Many drug chains are again seriously considering the installation of one or more such labs in their stores, after earlier rejecting the concept as too expensive and labor-intensive. The development of simple-to-use mini-labs for in-store use, like Eastman Kodak's Image Center and Fuji's Minilab 23S, and the demand among shutterbugs for higher-quality prints and quicker turnaround are making the one-hour concept a more realistic proposition for many retailers.

### Watching market

"We looked hard at one-hour labs about two years ago and concluded that with the kind of capital investment and commitment in personnel it would take, it wasn't worth it to us," said Gary Skelley, director of drug and general merchandising for Raley's Food and Drug Centers. "We're still holding off, but we're keeping up with the one-hour market to see if it might prove worthwhile for us later."

**Photofinishing by outlet in 1986**




Source: Photo Marketing Association

## Point-and-shoot 35mm clicking

The explosion in popularity of low-priced, automatic 35mm lens shutter cameras is transforming the market for cameras in the U.S. and Canada and eroding sales of both high-end single lens reflex cameras (SLRs) and traditional point-and-shoot 126 and Disc camera formats.

The sales boom for 35mm non-SLR cameras, fueled by the demands of a more sophisticated generation of amateur shutterbugs, has been exceptional. In 1986, the easy-to-use 35s accounted for 30.5% of all sales to dealers, according to the Photo Marketing Association (PMA), up from 21.9% the previous year. Demand for the automatic 35s—also known as lens shutter cameras—has come at the expense of both low- and high-end models.

The overall market shift is illustrated even more impressively at the retail level, where sales of non-SLR 35s accounted for 37% of unit sales last year, according to research from Eastman Kodak. That compares with just 9% of the market in 1983, Kodak reports.

"Camera sales to dealers in the U.S. were led by the continued growth of 35mm lens shutter cameras," noted the PMA in its just-released *Industry Trends Report for 1986*. "Consumer research shows a definite upgrading pattern on the part of consumers, from traditional point-and-shoot 110s, 126s, Discs and Instant cameras to 35mm lens shutters and SLRs."

### Offer high resolution

"We're seeing very strong growth in the 35mm non-SLRs," agreed Bob Saunders, marketing specialist in trade sales for Eastman Kodak. "They're fairly inexpensive and a lot simpler to use, but offer the high-resolution print quality of 35mm that higher-income, higher-educated consumers want."

Shipments to dealers of non-SLR 35s increased about 28% in 1986, to five million, the PMA reports. Unit sales of SLRs and disc cameras, meanwhile, declined substantially, to 1.9 million and 3 million, respectively. In terms of percentages, SLRs dropped to 11.6% of total sales to dealers last year, the PMA notes, while disc models dropped to 18.3% of sales from 27% the year before.

The trend is expected to continue in 1987. Kodak predicts that camera sales will grow another 12% at retail this year, largely through the popularity of easy-to-use 35s, which are predicted to rise 16% in sales. And while the staple 110 pocket camera "is still a good item for us," Saunders says, he admits that the 126 model "is slipping" and says the disc camera "will be driven by retail promotions" in 1987 to maintain sales levels.

### 110 model resilient

Significantly, the basic 110 model has shown resiliency in the face of the boom in point-and-shoot 35s. Combined shipments of 110 and 126 models last year actually increased as a percentage of total sales, to 18.9% from 18% in 1985, even though total unit shipments of all cameras decreased to 16.4 million from

*Continued on page 12*

**At Fay's, Schenectady, N.Y., a combined photo/CE department near store exit has self-service film pegged to add impulse sales.**